

Message Text

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DEPT PASS COMMERCE/CAGNE AND EXIMBANK

E.O. 11652: N/A

TAGS: BENC, ENRG, TS

SUBJECT: MISKAR: TUNISIAN NATURAL GAS PROJECT

REF: STATE 158678

1. SUMMARY: QUESTIONS RAISED IN REFDEPTEL REGARDING MISKAR PROCUREMENT DISCUSSED JULY 12 BY ECONOMIC/COMMERCE COUNSELOR AND STEG PLANNING CHIEF REKIK. LATTER PROVIDED SPECIFIC RESPONSES REGARDING TWO ENGINEERING AWARDS IN JULY 1976 AND CURRENT TENDER OF PREQUALIFIED FIRMS FOR ENGINEERING ON DRILLING PLATFORM. REKIK WENT TO CONSIDERABLE LENGTH TO ALLAY SUSPICIONS OF PRO-FRENCH BIAS IN PROCUREMENT AND TO PROVIDE REASSURANCES REGARDING AMERICAN FIRMS' OPPORTUNITIES TO COMPETE FOR PARTICIPATION IN PROJECT. HE ALSO DELINEATED STEG APPROACH TO ENGINEERING CONTRACTS, THROUGH CONSULTATION WITH A LIMITED NUMBER OF FIRMS AS COMPARED WITH FORMAL AND OPEN INTERNATIONAL TENDERS FOR SUPPLY OF EQUIPMENT AND CONSTRUCTION. CURRENT MISKAR TIMETABLE IS FOR FINAL DECISION THIS SUMMER, FURTHER ENGINEERING CONSULTATIONS IN OCTOBER-NOVEMBER, INTERNATIONAL TENDER ON DRILLING PLATFORM IN DECEMBER, AND TENDER ON BALANCE OF EQUIPMENT AND CONSTRUCTION IN SPRING OF 1978. (END SUMMARY).

2. REKIK SAID THAT ON JUNE 15 THE JOINT TUNISIAN GOVERNMENT
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(STEG AND ETAP) AND ELF-AQUITAINE STUDY GROUP FOR MISKAR INVITED TENDERS FROM FIVE INTERNATIONAL FIRMS FOR DRILLING PLATFORM ENGINEERING. OFFERS ARE TO BE OPENED JULY 15 AND CONTRACT AWARD ANNOUNCED AUGUST 15. AMONG FIVE FIRMS INVITED TO TENDER ARE ONE FRENCH FIRM AND ONE AMERICAN FIRM (NOT GULF INTERSTATE ENGINEERING); REKIK SUGGESTED THE AMERICAN FIRM SHOULD HAVE A GOOD CHANCE AT THE CONTRACT IF ITS BID IS COMPETITIVE. HE SAID

THIS ENGINEERING CONTRACT WILL BE THE THIRD AND FINAL SUCH CONTRACT FUNDED FROM THE TEN MILLION DINAR (\$23 MILLION) BUDGET ALLOCATED LAST YEAR BY THE JOINT VENTURE PARTNERS FOR AN EVALUATION OF MISKAR. THE TWO PREVIOUS ENGINEERING CONTRACTS WERE AWARDED IN JULY 1976, FOLLOWING CONSULTATIONS WITH AMERICAN, FRENCH AND OTHER FIRMS, WITH THAT FOR DETAILED SURVEY OF PROPOSED PIPELINE ROUTE GOING TO FRENCH FIRM (COMPAGNIE GENERALE GEOPHYSIQUE) AND THAT FOR SOIL TESTING FOR PLATFORM FOUNDATIONS GOING TO THE ENGLISH FIRM MCCLELLAND (OF HARROW, MIDDLESEX) OVER TWO FRENCH FIRMS).

3. REKIK SAID STEG IS PARTICULARLY CONCERNED TO MAINT

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SSMINTEREST OF FOREIGN GOVERNMENTS AND INTERNATIONAL FIRMS AND, THEREFORE, IS JEALOUS TO GUARD THE REPUTATION OF ITS PROCUREMENT PROCEDURES FOR COMPETITIVENESS AND INTEGRITY. THEREFORE, IN EACH OF THESE THREE CASES INVOLVING RATHER SMALL ENGINEERING CONTRACTS (THE TWO LAST SUMMER EACH WENT FOR ABOUT \$3000000), STEG INSISTED THE GROUP CONSULT FIVE OR SIX LEADING INTERNATIONAL FIRMS. IT WAS DELIBERATE POLICY TO ENSURE THAT THE NATIONALITIES OF THE FIRMS INVITED TO TENDER WERE DIVERSIFIED IN ORDER TO MAKE CLEA

R THAT AWARDS ARE NOT ARBITRARY. THE DECISIONS ON HOW MANY FIRMS TO CONSULT WERE ALSO TAKEN WITH A VIEW TO REASONABLY EXPEDITIOUS DECISION-MAKING AND ALLOCATION OF THE GROUP'S CONTRACT EVALUATION RESOURCES COMMENSURATE WITH SCALE OF THE CONTRACTS. LIMITED OFFICIAL USE

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4. REKIK SAID THAT FOR FUTURE ENGINEERING CONTRACTS, FOR WHICH STEG AND ASSOCIATES EXPECT TO START CONSULTATIONS IN OCTOBER AND NOVEMBER, NUMBER OF FIRMS TO BE CONSULTED WILL VARY WITH SIZE OF CONTRACT. FOR INSTANCE, WHILE CONSULTATIONS FOR ENGINEERING ON PLATFORMS FOR GAS TREATMENT AND FLARING AND CREW QUARTERS, AND ON PIPELINE MAY AGAIN INVOLVE HALF DOZEN FIRMS EACH, CONSIDERABLY MORE MAY BE CONSULTED ON THAT FOR ENGINEERING ON GAS PORCESSING PLANT--A CONTRACT LIKELY TO RUN INTO SEVERAL MILLION DOLLARS.

5. REKIK STRESSED THAT CONSULTATION OR INVITATION TO TENDER APPROACH FOR ENGINEERING--WHERE TECHNICAL CAPACITY IS CRITICAL --IS A STANDARD INTERNATIONAL PRACTICE FOLLOWED IN GENERAL BY STEG. HE CITED VARIOUS CASES TO DEMONSTRATE THAT IN TUNISIA THE NATIONALITY OF BUSINESS PARTNERS DOES NOT PREJUDICE CHOICE OF ENGINEERING FIRMS, NOR DOES NATIONALITY OF ENGINEERING FIRMS PREJUDICE CHOICE OF EQUIPMENT. (FOR EXAMPLE, FRANCO-TUNISIAN MISKAR STUDY GROUP CHOSE THE AMERICAN FIRM OF WILLIAMS BROS. ENGINEERING FOR THE JUST COMPLETED INDEPENDENT EVALUATION OF GAS RESERVES; ITALIAN- TUNISIAN FIRM SITEP CHOSE A FRENCH FIRM FOR ITS OIL FIELD ENGINEERING, AND A GERMAN-AUSTRIAN CON-

SORTIUM WON THE TENDER TO SUPPLY EQUIPMENT FOR SOUSSE POWER STATION
BASED ON FRENCH ENGINEERING).

6. REKIK EMPHASIZED THAT WHEN STEG AND ASSOCIATES MOVE TO CONTRACT FOR EQUIPMENT AND CONSTRUCTION FOR MISKAR, THIS WILL BE DONE BY WELL-PUBLICIZED INTERNATIONAL TENDERS IN ACCORDANCE WITH IBRD PROCEDURES. HE ADDED THAT THE EQUIPMENT TENDER FOR THE DRILLING PLATFORM NOW IS EXPECTED TO COME AT THE END OF THIS, YEAR, WITH TENDERS ON OTHER EQUIPMENT AND CONSTRUCTION TOWARDS MID-1978.

7. REKIK SAID THAT THE IBRD, FOLLOWING RECENT VISIT OF PRE-APPRAISAL MISSION, IS EXPECTED TO DISPATCH AN APPRAISAL MISSION FOR SEPTEMBER/OCTOBER.
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8. REKIK ATTRIBUTED THE DELAY IN A FINAL DECISION ON MISKAR TO THE CARE AND CAUTION OF STUDY GROUP PARTNERS THEMSELVES. HE SAID THEY HAVE JUST THIS WEEK SUBMITTED TO THE GOT THE NECESSARY RECOMMENDATIONS AND STUDIES INCLUDING THE WILLIAMS BROS. RESERVOIR EVALUATION AND REFINED DATA ON PROJECT COST, UNIT COSTS OF NATURAL GAS, PRODUCTION DATES, ETC. (REKIK SAID CONSTRUCTION OF THE ALGERIA TO SICILY PIPELINE LOOKED INCREASINGLY LIKELY; THE OFFICIAL CONSENSUS WAS THAT IT WOULD BE COMPLEMENTARY TO MISKAR).

9. REKIK SAID HE WAS CONTINUING TO BE BESIEGED BY REPRESENTATIVES OF ENGINEERING FIRMS. IN THE CASE OF GULF INTERSTATE ENGINEERING (GIE), WHOSE MONTE CARLO REPRESENTATIVE HAD VISITED STEG FIVE OR SIX TIMES, REKIK SAID HE HAD DISCOURAGED THEM FROM CONTINUING TO CALLIN RESPECT TO THE PLATFORM ENGINEERING EVEN THOUGH THEIR VISITS TO TUNISIA WERE WELCOMED IF THEY HAD OTHER BUSINESS TO SATISFY THE INVESTMENT OF THEIR TIME. REKIK SAID HE APPRECIATED GIE'S LIKELY FRUSTRATION IN NOT BEING INVITED TO TENDER BUT IT WAS ONE OF MANY FIRMS WHOSE TECHNICAL CAPACITY HAS NOT YET BEEN EVALUATED BY THE GROUP AND COULD NOT BE IN THE CONTEXT OF A RATHER SMALL AND SIMPLE BUT URGENT CONTRACT.

10. REKIK HOPED THE EMBASSY AND THE COMMERCE DEPARTMENT WOULD DO ALL THEY COULD TO CLEAR THE AIR OF ANY RUMORS OF MISCONCEPTIONS REGARDING AN ALLEGED INSTITUTIONAL BIAS IN FAVOR OF FRENCH FIRMS. AMERICAN FIRMS WERE MUCH RESPECTED IN TUNISIA FOR THEIR TECHNICAL CAPABILITIES AND EXPERIENCE; SIMILAR TO WILLIAMS BROTHERS ENGINEERING, OTHER AMERICAN FIRMS WOULD WIN CONTRACT AWARDS IF THEIR PRICES WERE COMPETITIVE. ZMULCAHY

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